

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2018/2019

BFN 3114 – TAX PLANNING
(Section BO1)

27 MAY 2019
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **Nine (9)** printed pages including cover page with **Three (3)** Questions only.
2. Answer **ALL** questions.
3. Please write all your answers in the Answer Booklet provided.
4. The distribution of the marks for each question is given at the end of each question.

QUESTION 1

a) SerraOne (Pte) Ltd, a company resident in Indonesia, has established a new branch in Malaysia. On 1 January 2018, the company appointed Pak Hendra as the chief operation officer for the new branch. Pak Hendra was assigned to Malaysia to carry out the task starting from 3 January 2018 to 31 December 2018. His remuneration for the period amounted to RM150,000 which was paid by the company partially, RM50,000 into his bank account in Indonesia and the balance of RM100,000 into his bank account in Malaysia.

Required:

(i) Explain, with reference to the Malaysian Income Tax Act 1967, whether Pak Hendra was an employee, exercising an employment in Malaysia during the basis year 2018.

(3 marks)

(ii) State, with reason(s), whether Pak Hendra is liable to Malaysian income tax in respect of his remuneration of RM150,000.

(5 marks)

b) Mr. Jackie, an IT consultant from Singapore was appointed by Super Telecom Bhd, Malaysia as a consultant of the company for a period of nearly five years commencing on 1 December 2014, the date of his first arrival in Malaysia. He left Malaysia permanently on 2 July 2019, one month after his contract ended. His pattern of stay was as follows:

Year	In Malaysia	No. of days
2014	1.12.14 – 31.12.14	31
2015	1.1.15 – 25.5.15	145
	1.6.15- 10.8.15	71
	1.11.15- 31.12.15	61
2016	1.2.16 – 10.10.16	253
2017	1.3.17 – 15.6.17	107
2018	1.1.18 – 31.1.18	31
2019	1.1.2019 – 2.7.19	183

Mr. Jackie went to visit his relatives in Singapore for six days starting from 26 of May 2015 till 31 of May 2015.

Continued...

Required:

Determine Mr. Jackie's tax resident status for the years of assessment 2014 to 2019, stating the relevant provisions of the income Tax Act 1967 to support your answer.

(12 marks)

[Total: 20 marks]

QUESTION 2

a) Sharifah works as a senior manager with GEM Sdn. Bhd. She has been with the company since its incorporation in year 2000. Recently, the company suffered huge losses, and decided to restructure its employees. As a result, the management decided to offer early retirement to few staffs including Sharifah. Upon retirement, Sharifah received a gratuity of RM120,000. She was also provided with an annual payment of RM30,000 for 3 years, with an agreement that Sharifah is restricted from any employment or carry on business in direct competition with the company.

Required:

State, with reasons, whether GEM Sdn. Bhd. could claim the gratuity and annual payment made to an ex-employee (Sharifah) as deduction for tax purposes.

(6 marks)

b) Simranjeet owns a cafe in Wawasan Street, Cyberjaya, Selangor. For the year ended 31 December 2018, the income statement of the business is as follows:

	Note	RM	RM
Sales revenue			290,000
Less: Cost of sales	1		(110,000)
Gross profit			180,000
Less:			
Salary	2	92,800	
Insurance expense	3	2,000	
Donation	4	3,000	
Repair and maintenance expenses	5	11,200	
Depreciation		25,000	
Advertising expense	6	1,000	
Entertainment expenses	7	4,000	
Professional fees	8	17,000	
Trade bad debts written off		3,000	(159,000)
Net profit before taxation			21,000

Continued...

Notes:

- 1 Cost of sales
Included in the cost of sales are:

	RM
i) Unrealised exchange loss for stock	2,500
ii) Provision for stock obsolescence (10% year-end stock)	3,000
iii) Damaged stock written off	7,000

- 2 Salary consists of:

	RM
(i) Salary paid to employees	80,000
(ii) Medical expenses for staffs	4,600
(iii) Contribution to employee provident fund	7,200
(iv) Wedding gift to one of its employee	1,000

- 3 Insurance expense refers to premium incurred for the fire and flood insurance of the cafe.

- 4 Cash donation made to Yayasan Bakti, an approved institution for endowment.

- 5 Repair and maintenance expenses consist of:

	RM
i) Repair cost of Simranjeet's son car	1,000
ii) Service and maintenance of business vehicle	5,000
iii) Daily cleaning of the café	3,200
iv) Cost of new smart television	2,000

- 6 Advertising expense refers to the cost incurred in promoting the cafe.

- 7 Entertainment expenses consist of:

	RM
i) Annual dinner for employees and families	3,500
ii) Lunches for customers	500

- 8 Professional fees consist of:

	RM
i) Tax and accounting fees	1,400
ii) Summon for traffic offences	500
iii) Utility bills	15,100

Other information:

For the year of assessment 2018, the cafe is allowed to claim capital allowance of RM19,000. There is a balancing charge of RM3,700. Besides her café, Simranjeet also received single tier dividend of RM6,000 and adjusted rental income of RM20,000. During the year, Simranjeet planned to renovate its café. However, due to financial constraint, she decided to postpone the plan to the following year.

Continued...

Required:

Compute the total income of Simranjeet for the year of assessment 2018.

Note: Your computation should start with the 'net profit before taxation' figure and follow the descriptions used in the notes to the income statement. Indicate 'nil' in the appropriate column for any item that does not require adjustment. You do not need to explain the adjustments made.

(34 marks)

[Total: 40 marks]

QUESTION 3

Mr. Liew is a Malaysian tax residents. He works as an IT specialist with Telecommunication and Media Company in Subang Jaya, Selangor. For the year 2018, he has provided with the following remuneration package:

- i) Gross salary of RM12,000 per month and 11% was deducted for Employee Provident Fund (EPF).
- ii) Bonus equivalent to 2 month's salary to be paid in May 2019.
- iii) Social security contributions (SOCSO) amounted to RM270 per annum.
- iv) Medical and dental treatment worth of RM1,200 covered by the company.
- iv) A fully furnished house for the whole year. The monthly rental paid by the company was RM2,400, including the rental for furniture of RM500 per month.
- v) A new car worth RM120,000, where he was allowed to use the car for the whole year of 2018 for official and domestic used. Approximately 30% of the usage was for domestic used. Mr. Liew had to bear his own petrol cost.
- vi) A holiday package to Bali, Indonesia for which his employer paid for the air tickets, meals and accommodation of RM900, RM500 and RM1,300 respectively.

Besides the employment income, Mr. Liew also received an interest income of RM3,915 from a fixed deposit placed in an overseas bank and a single tier dividend of RM4,000 from his investment in few companies listed in Bursa Malaysia.

For the basis year 2018, Mr. Liew provided the following information:

	RM
Deposited to Skim Simpanan Pendidikan Nasional (SSPN) for his children	3,000
Purchase of computer	1,900
Payment for gym membership subscription fee	400
Tuition fees for pursuing MBA program at a local university	5,000
Cash donation to an approved charitable institution	1,800

Continued...

Purchase of books, journals and magazines	600
Education insurance for his children	3,000
Medical expenses for his parents	2,000
Purchase of basic supporting equipment for his mother	1,000

His wife, Fiona is a full time housewife. The couple look after Mr. Liew's parents, who are aged 80 and 75. They have three children, who are all studying. The first child, Timothy is 20 years old and furthering his degree at University of Malaya, Kuala Lumpur. The second children, Sarah is 17 year old and schooling at secondary school in Cyberjaya, Selangor. The third children, Gerard is 12 years old, schooling at primary school in Puchong, Selangor.

Required:

Compute the income tax payable of Mr. Liew for the year of assessment 2018.

Note: Please indicate by the use of the word 'nil' for any item referred to in the question for which no adjusting entry needs to be made in the tax computation. Round up all figures.

[Total: 40 marks]

End of question

APPENDIX 1**TAX RATES AND ALLOWANCES**

The following tax rates, allowances and values are to be used in answering the questions.

Income tax rates for resident individuals for the year assessment (YA) 2018

	Chargeable Income	Tax Rate	Income Tax Payable
	RM	(%)	RM
First	2,500	0	0
Next	<u>2,500</u>	0	<u>0</u>
On	5,000		0
Next	<u>5,000</u>	1	<u>50</u>
On	10,000		50
Next	<u>10,000</u>	1	<u>100</u>
On	20,000		150
Next	<u>15,000</u>	3	<u>450</u>
On	35,000		600
Next	<u>15,000</u>	8	<u>1,200</u>
On	50,000		1,800
Next	<u>20,000</u>	14	<u>2,800</u>
On	70,000		4,600
Next	<u>30,000</u>	21	<u>6,300</u>
On	100,000		10,900
Next	<u>50,000</u>	24	<u>12,000</u>
On	150,000		22,900
Next	<u>100,000</u>	24	<u>24,000</u>
On	250,000		46,900
Next	<u>150,000</u>	24.5	<u>36,750</u>
On	400,000		83,650
Next	<u>200,000</u>	25	<u>50,000</u>
On	600,000		133,650
Next	<u>400,000</u>	26	<u>104,000</u>
On	1,000,000		237,650
Exceeding	<u>1,000,000</u>	28	<u>...</u>

Non-Resident Individual Rate for employment income (YA 2017 and 2018)

Non-resident person (other than companies): 28%

Reliefs

	RM
Self	9,000
Disabled taxpayer self- additional relief	6,000
Medical expenses expended for parents (max)	5,000
Medical expenses expended on self, spouse or child with serious diseases [Including up to RM500 for medical examination (max)]	6,000
Basic supporting equipment for disabled self, spouse, child or parent (max)	6,000
Fees expended for skills or qualifications (max)	7,000
Spouse relief (if he or she has no source of income or elects for combined Assessment)	4,000
Disabled spouse	3,500
Child (each)	2,000
Disabled child (each)	6,000
Child- over 18 years of age and studying in higher learning institution	8,000
Disabled child studying in higher learning institution	14,000
Amount deposited to SSPN for his child (max)	6,000
Life insurance premiums and contributions to approved provident funds (max)	6,000
Medical or education insurance premiums for self, spouse or child (max)	3,000
Lifestyle (books, sports equipment, computer, broadband and gymnasium fee)	2,500
Social Security Organization (SOCSO) Scheme	250
Breastfeeding equipment	1,000
Parental care: father & mother (each)	1,500
Fees paid to childcare center & kindergarten	1,000

Rebates

	RM
Chargeable income not exceeding RM35,000	
Individual	400
Individual who has been given a deduction in respect of a spouse or former wife	400

Prescribed value of benefits in kind: Car and fuel scale

Cost of car (when new)	Prescribed annual value of private usage of car	Fuel per annum
RM	RM	RM
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

The value of the car benefit equal to half of the prescribed annual value (above) is taken if the car provided is more than five (5) years old, but the value of the fuel provided remains unchanged. Where a driver is provided by the employer, the value of the benefit per month is fixed at RM600.

Other benefits**Household furnishings, apparatus & appliances**

Semi-furnished with furniture in the lounge, dining room, or bedrooms

- RM70 per month

Semi-furnished with furniture as above and one or more of the following:

Air-conditioners, curtains, carpets

- RM140 per month

Fully furnished premises

- RM280 per month

Domestic servant

- RM400 per month

Gardener

- RM300 per month

Capital allowances

	Initial allowance Rate (%)	Annual allowance Rate (%)
Motor vehicles and heavy machinery	20	20
General plant and machinery	20	14
Office equipment, furniture and fittings	20	10
Industrial building	10	3
Computer, information technology equipment & computer software	20	40

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